



County of Los Angeles


CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
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DAVID E. JANSSEN
Chief Administrative Officer

September 24, 2004

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: 
David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

THE IMPACT OF THE CALIFORNIA PERFORMANCE REVIEW ON LOS ANGELES COUNTY

As promised in his inaugural address, Governor Schwarzenegger released the California Performance Review (CPR) on August 3, 2004, calling it a major step toward modernizing and streamlining state government. The 2,500 page report, which contains over 1,000 recommendations and claims to save \$32 billion over the next five years, was largely put together by a task force of state employees. While most of the recommendations have to do with improving state government, some of them would impact counties, including Los Angeles County.

Since the report was issued, my staff has worked with County departments to identify issues which affect the County and assess their potential impact. The task provided some challenges since, in some instances, the task force detailed descriptions of issues and provided concepts of proposed solutions. Consequently, our assessment is somewhat speculative.

The two attached matrices (Attachment I) summarize the results of our assessment. The "County Issues" matrix contains those issues that affect the County generally, are more far-reaching in their impact, or involve two or more departments that disagree in their assessment of the impact on the County. The "Department Issues" matrix contains more specialized or technical issues that primarily impact a specific department. The initials of the responding departments are in parenthesis after each issue description. The "Priority" column reflects the judgment of the department as to whether the recommendation is a high, medium or low priority. The "Department Recommendation" column is self-explanatory. The "Board Policy" column indicates whether there is existing Board policy for the recommendation. And the "Position" column contains the position we believe the County should take until there are more details available about

Each Supervisor
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the recommendation, or we learn whether the Administration is serious about pursuing it, or the Board decides to take a position.

Attachment II is a letter from me to the Commission that the Governor appointed to take public testimony on the CPR recommendations. The letter, which focuses on those issues with the greatest impact on the County, makes clear the County's support for the Governor's effort to reform state government. At the same time, it summarizes the concerns expressed by departments that some of the CPR recommendations could have a significant, negative impact on the County and the people we serve. Rather than opposing particular recommendations, the letter notes our concerns and suggests to the Commission and others which recommendations we believe should be considered with a mixture of caution and skepticism, based upon the collective wisdom of County departments that administer these programs and have grappled with these issues for years.

The CPR Commission will hold its last hearing on September 27, 2004. It is our understanding that they will not be making any recommendations to the Governor and the Administration on the specifics of the Report. Instead, the various State departments affected by CPR proposals have begun their own internal review, in some cases involving outside stakeholders, to determine which of the proposals to pursue. Most of the CPR recommendations can be implemented administratively but the more significant ones, which include most of those impacting counties, will require legislative approval and will have to be submitted as part of the Governor's January Budget or in separate legislation.

We will continue to keep you advised. If you have any questions, you can reach me at 213-974-1101, or your staff can call John Redmond at 213-974-1348.

DEJ:GK
MAL:JR:ib

Attachments

c: Executive Officer, Board of Supervisors
County Counsel

COUNTY ISSUES

(Departments Responding - In Parenthesis)

<u>Number</u>	<u>Description</u>	<u>Priority</u>	<u>Department Recommendation</u>	<u>Board Policy</u>	<u>Position</u>
GG 28	Improve Predictability for Local Revenue (CAO)	H	Support in Concept	Y	Support
GG 29	State-Local Performance Measures (CAO & Departments)	H	Support In Concept	N	Monitor
GG 32	Reform Mandate Process (CAO & Auditor)	H	Support in Concept	Y	Monitor
HHS 1	HHS Eligibility Process Changes (DHS, DPSS)				
	a) Privatize	H	Oppose	N	
	b) Self-Certify Asset Test	M	Support	Y	Support
	c,d,e) Related to privatization proposal				
HHS 2	Realignment (DHS, DPSS, MH, DCFS, CAO)	H	Support in Concept	N	Monitor
HHS 3	Contract Out Child Support (CSA)	H	Oppose	N	
GG26	Develop Principles for State-Local Relationship (CAO)	M	Support in Concept	N	Monitor
GG 27	Formal Mechanism for State-Local Relationship (CAO)	M	Support in Concept	N	Monitor
GG 34	Consolidate Criminal Court Fees (CAO)	M		N	Monitor
GG 46	Exempt Federal Programs from Hiring Freeze, Cuts (Css)	M	Support	N	Monitor
HHS 4	Simplify Administration of Child Care (DPSS, CAO)	M	Split on Key Part	N	Monitor
HHS 10	Repeal \$50 Income Disregard: Child Support/TANF (CSA, DPSS)	M	Split?	N	Monitor
HHS 15	Consolidate Mental Health and Alcohol & Drugs (DHS, DMH)	M	Split	N	Monitor
SO 40	Biennial State Budget	M	Neutral	N	Monitor
GG 36	Biennial Vehicle Registration (CAO)	L	Neutral	N	Monitor

CPR DEPARTMENT ISSUES

(Departments Responding - In Parenthesis)

<u>Number</u>	<u>Description</u>	<u>Priority</u>	<u>Department Recommendation</u>	<u>Board Policy</u>	<u>Position</u>
GG 19	Centralize Commercial Aircraft Assessment (Assessor)		Oppose	Y	Oppose
GG 23	Consolidate Workforce Assessment Areas (CSS)		Neutral	N	Monitor
ETV 2	Create Educate & Workforce Council (CSS)		Support	N	Monitor
HHS 6	Foster Care Criminal Background Checks (DCFS)		Support	N	Monitor
HHS 8	State Oversee Foster Care (DCFS)		?		Monitor
HHS 9	Permanent Homes for Foster Kids (DCFS)		Support	N	Monitor
HHS 12	Public Health Contracting Reform (DHS)		Support	N	Monitor
HHS 14	HIV Reporting Consistent with AIDS Reporting (DHS)		Support		
HHS 17	Eliminate City-Run Mental Health Programs (DMH)		Support	N	
HHS 26	Maximize Federal Funding: Shift Medi-Cal Costs to Medicare (DHS)		Support	N	Monitor
HHS 29	Redirect DSH Payments: Core Services (DHS)		Support In Concept	Y	Monitor
HHS 30	Improve and Centralize TARS Process (DHS)		Oppose	N	
HHS 19	Standardize Criminal Background Check: H&HS Program (DCFS)		Support In Concept	N	Monitor
HHS 21	Consolidate Licensing and Certification (DCFS, CAO)		Support In Concept	N	Monitor
INF 13	State Highway Turnover to Locals (DPW)		Support In Concept	N	Monitor
INF 18	Consolidate/Coordinate State Infrastructure Programming (B&H, DPW)		Oppose/Support	N	Monitor
INF 21E	Limit CRA's Housing Set-Aside to 3 Years (GDC)		Oppose	Y	Oppose
INF 27	Transfer Grade Separation Program to Caltrans (DPW)		Support in Concept	N	Monitor
INF 28	Consolidate Water and Park Bond Grants (DPW, P&R, B&H)		Neutral	N	Monitor
INF 29	Flood Disaster Prevention (DPW)		Support	Y	Support
INF 35	Integrate Infrastructure/Resource Planning (DPW, RPD)		Support in Concept	N	Monitor
INF 37	Streamline Environmental Review Process (DPW, RPD)		Split	Y/O	Monitor
RES 3&4	Consolidate Waste Management & Environmental Programs (DPW)		Oppose	N	Monitor

CPR DEPARTMENT ISSUES

(Departments Responding - In Parenthesis)

<u>Number</u>	<u>Description</u>	<u>Priority</u>	<u>Department Recommendation</u>	<u>Board Policy</u>	<u>Position</u>
RES 6	Consolidate Clean Water Funding Programs (DPW)		Neutral	N	Monitor
RES 12	Restructure Land Conservancies: Local 12E (DPW, RPD, P&R, PS)		Split	N	Monitor
RES 23	Eliminate Waste Management Board Approval (DPW)		Oppose	N	Monitor
RES 27	Reduce Solid Waste Mandates in Rural Areas (DPW)		Support	N/Y	Monitor
RES 34	Improve Collection of Fish & Game Funds (DPW)		Support in Concept	N	Monitor
SO 13	State Radio Network (SD, PS)		Neutral	N	Monitor
	Eliminate Board of Aging and Transfer to DHS (CSS)		Oppose	N	Monitor



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DAVID E. JANSSEN
Chief Administrative Officer

September 24, 2004

California Performance Review Commission
Office of the Governor
Constituent Affairs
State Capitol
Sacramento, CA 95814

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Dear Commissioners:

**LOS ANGELES COUNTY'S COMMENTS ON THE
CALIFORNIA PERFORMANCE REVIEW**

I want to commend you on the hearings that you have held throughout the State to provide the public and interested parties with an opportunity to comment on the over 1,000 recommendations in the California Performance Review (CPR). While most of these recommendations seek to improve the way State government does business, a number of them directly impact counties generally and Los Angeles County in particular. I would like to share with you our thoughts and concerns about a few of these recommendations.

Strengthening Local Government

Since the passage of Proposition 13 in 1978, local governments have struggled to meet the competing needs of their residents for basic services and the legal and program mandates of State government. Faced with a growing and increasingly poorer population in greater need of public services, local governments have been limited in their ability to raise and spend local revenue because of various voter-approved limitations. As a result, they (particularly counties) are overly dependent on State funding and susceptible to the same cyclical economic swings that plague State budgeting. To make matters worse, the State has looked to local governments as a budget reserve in particularly bad years, shifting local property taxes to schools to reduce its cost for funding public education, or indefinitely deferring payments to local governments for State mandated services. The result has been instability and unpredictability in local government finances, and a steady deterioration in the ability of local government to meet the needs of their residents.

Two CPR recommendations would go a long way toward ending, if not reversing, this process. **GG 28** calls for improving local government finance by increasing the predictability of revenues which we believe can best be achieved through the passage of Proposition 1A on the November ballot. In addition, **GG 32** urges reform of the State mandate process which is badly needed and long overdue.

Improving and Formalizing the State-Local Relationship

If Proposition 1A passes, the State-local relationship will be characterized by mutual interdependence. This new relationship can best be nurtured and facilitated through a more formalized relationship than that provided by traditional advocacy or lobbying. **GG 27** seeks to "create a formal mechanism for improving State-local relations in California", but stops short of what is needed by only recommending that the Governor's Office establish a Local Government Relations Office. While this suggestion has merit, serious consideration should also be given to the creation of an intergovernmental structure such as Utah's Advisory Council on Intergovernmental Relations that is mentioned in the supporting analysis. Utah and a number of other states have found such a forum useful for discussing and resolving issues affecting the various levels of government – issues like program realignment or the use of performance measures to evaluate joint programs. **GG 26**, which urges the establishment of principles of governance to improve the partnership between State and local government, is also an excellent idea. But such principles should be arrived at through a dialogue involving all levels of government rather than promulgated by the Governor. An advisory council on intergovernmental relations could be an excellent forum to begin that dialogue.

Improving the Delivery of Services

As the local government responsible for the delivery of most State services, counties share the CPR's concern to improve their delivery in order to maximize the value of taxpayer dollars. We welcome the recommendation in **GG 29** "to develop outcomes-based performance standard that can be used to evaluate local governments' delivery of State programs." However, having already started down the road of performance-based budgeting a few years ago, Los Angeles County appreciates how difficult, lengthy, imperfect, and potentially controversial that journey can be. It cannot be done effectively by a single, ad-hoc task force of citizens and State and county government representatives, as suggested in the recommendation. However, a newly created California Advisory Council on Intergovernmental Relations would be a good place to begin to define the goals we wish to achieve, as well as how to know if we are achieving them.

HHS 2, which calls for a realignment of State and county programs, has the goal of improving the delivery of services by more clearly and rationally assigning program authority and funding responsibility. Done correctly, realignment could be to everyone's advantage including the State, counties, program recipients, and taxpayers. However, after considerable reflection, we are not sure whether the programs suggested in the

CPR recommendations are the right mix or make the most sense. The proposed realignment of the In-Home Supportive Services program and Child Welfare Services is worth pursuing. We also believe other programs should be considered. As in previous realignment efforts, we welcome the opportunity to discuss which programs are appropriate. This discussion should start with agreement on a set of principles and goals to guide the choice of programs.

HHS 1 recommends a radical transformation of eligibility processing for three major health and social service programs administered by counties – Medi-Cal, CalWORKs and Food Stamps. The recommendation seems to be based on the simple assumption that the very different and complex eligibility requirements of these three programs can be simplified and standardized to be more like those of the Healthy Families Program so that the application process can be internet-based and administered by private vendors. In the absence of experience from other states, this recommendation appears to be more an act of faith rather than a reflection of the practical realities of these programs and the people they serve, who are frequently poor and without access to the internet. If just the first part of the recommendation – greater simplification and standardization of eligibility requirements – could be achieved, counties could improve the efficiency of the eligibility function while reducing the frustration of applicants who too often feel the process was designed to discourage their participation. We would welcome and support such an important first step which will require difficult changes in Sacramento and Washington, D.C. Without such changes, the eligibility process will remain complicated and inefficient, no matter who operates it. Finally, centralizing eligibility processing at the State level would reduce, if not eliminate, the ability to immediately assess the applicants' need for county-provided supportive services such as homeless assistance, emergency food, mental health services, shelter care for domestic violence victims and child and protective services.

RES 10, which calls for the consolidation of State field and regional offices to better serve citizens at the local level, would also be beneficial to county agencies that have to navigate the complex State bureaucracy on a daily basis. **RES 27**, which recommends that mandates for solid waste diversion reporting should be reduced for rural communities, should be extended to include urban communities which are also bogged down in the time and expense of calculating waste diversion rates. Finally, the case made for State assessment of commercial aircraft in **GG 19** appears similar to that which was rejected by the Legislature, and would likely result in a loss of revenue to local governments that would cancel out any administrative savings.

Enhancing Services to People

As noted earlier, we have serious concerns about **HHS 1**. However, part B of **HHS 1**, which recommends using self-certification for the asset test at the time of application, would greatly simplify the process and reduce Medi-Cal administrative costs. Part C, which recommends a public awareness program to increase applications, is also worth pursuing.

HHS 3, which seeks to improve the performance and reduce the cost of the State's county-administered child support program by implementing competitive contracting, is a drastic proposal best tested in a small county where the possibility for success is greater, the consequences of failure less, and the chances for learning more likely. The proposed two-year pilot that would be established immediately in the poorest performing county – one of the large urban counties – is a recipe for disaster. Imagine, for example, if a vendor were to take on Los Angeles County's caseload of 476,000 cases and over 1,700 employees. And to assume a 20 percent cost savings in the first year is highly unrealistic, especially when the existing program is underfunded. Is there a private vendor willing and able to assume such responsibilities, including the provision of State-mandated services such as customer service? And what will happen if at the end of a two-year pilot the vendor wants out and no other vendor decides to bid? Though the child support agency is a part of county government, its funding, policy and administrative direction are set by the Federal and State governments. Consequently, if an experiment of this type is executed, it should not be assumed that counties will be able to put the pieces back together again if the experiment fails.

HHS 4, which seeks to simplify and strengthen California's subsidized child care system, raises issues that have been debated for years. However, one issue about which there should not be an argument is the State's responsibility to fund child care for former TANF recipients who have been off aid for 24 months, but are unable to find subsidized child care because the supply is so limited. Unless the State continues to do so, as it currently does through the Stage 3 set-aside, former recipients could be forced to return to CalWORKs, undermining the goals of welfare reform and lowering the State's work participation rate. **HHS 4** seems to recommend the elimination of Stage 3 child care without saying so. We advise that this would be a major mistake.

HHS 10 calls for the repeal of the \$50 disregard for TANF recipients who receive child support payments, pointing to a Wisconsin study that indicates that the disregard is not needed to encourage clients to cooperate with child support agencies. However, the Wisconsin study, according to the footnote, is inconclusive and does not support any conclusion about the effectiveness of the \$50 disregard – which may help to explain why Wisconsin has a 100 percent disregard, allowing TANF recipients to retain all of their child support payments. While reducing administrative costs is certainly desirable, it is important to better understand potential impacts before reducing a cash benefit to individuals who are already having trouble making ends meet.

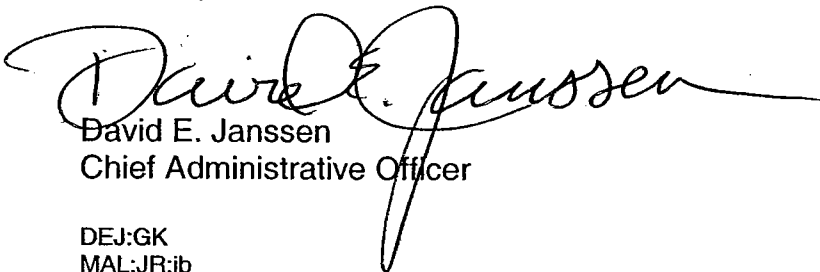
HHS 29 recommends that Medi-Cal hospital disproportionate share (DSH) payments should be discontinued for hospitals that fail to provide core services such as emergency room, obstetrical, and neo-natal intensive care services, or which do not plan to undertake the seismic safety retrofit required by State law. While the goal of the proposal has merit, it is not related to the underlying purpose of the DSH program to assure access to care Medi-Cal beneficiaries and low-income, uninsured Californians. Moreover, given that the future direction and funding level for California's DSH program are currently very tenuous, efforts to redistribute funding could undermine the program.

INF 21 E, which is part of a commendable proposal to increase the supply of affordable multi-family housing, urges the Governor and the Legislature to require redevelopment agencies to spend their 20 percent affordable housing set-aside within three years or forfeit the money to a dedicated affordable housing fund managed by the State. In addition to the constitutional issue involved in transferring local property taxes to a State agency to spend on affordable housing in other counties, a rigid three-year limit is unworkable for smaller agencies which need more time to accumulate sufficient funds to finance larger projects. Moreover, affordable housing projects must survive a number of environmental and regulatory reviews, as well as numerous public hearings, adding to the time required before construction can begin. While Los Angeles County shares the goal of increasing the supply of affordable housing, a three-year limit could have the opposite result.

Finally, in **Chapter 12 of the "Form Follows Function" section** of the report, it is recommended that food safety programs be transferred from the State Department of Health Services to the State Department of Food and Agriculture. While such a reorganization is primarily a State issue, we believe that the transfer of a function that protects public health and safety to an agency whose primary mission is to promote the production and sale of agricultural products, would potentially compromise this important function.

On behalf of the County, I want to express my appreciation for this opportunity to convey our thoughts and concerns about some of the CPR proposals that directly impact the County and the people it serves. If you have any questions, or would like additional details on these or other issues raised by the CPR recommendations, you can contact me at (213) 974-1101.

Sincerely,



David E. Janssen
Chief Administrative Officer

DEJ:GK
MAL:JR:ib

c: Governor Schwarzenegger
Donna Arduin
Kimberly Belshe
Mike Chrisman
Sunne McPeak